

ASSEMBLY BILL

No. 1637

Introduced by Assembly Member Wieckowski

February 9, 2012

An act to amend Section 69432.7 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1637, as introduced, Wieckowski. Cal Grant Program: student default risk index score.

Existing law, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (Cal Grant Program), establishes the Cal Grant A and B Entitlement Awards, the California Community College Transfer Cal Grant Entitlement Awards, the Competitive Cal Grant A and B Awards, the Cal Grant C Awards, and the Cal Grant T Awards under the administration of the Student Aid Commission, and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions.

Existing law requires the commission to certify by October 1 of each year a qualifying institution's latest 3-year cohort default rate as most recently reported by the United States Department of Education and makes an otherwise qualifying institution ineligible for initial or renewal Cal Grant awards if the institution's 3-year cohort default rate is equal to or greater than a specified threshold.

This bill would instead require qualifying institutions to calculate, as specified, and certify to the commission its student default risk index score by October 1 of each year. For purposes of the 2013–14 academic year, the bill would require the commission to determine the student default risk index score for each qualifying institution by July 15, 2013,

as specified. The bill would make an otherwise qualifying institution ineligible for new Cal Grant awards if the institution's student default risk index score exceeds a specified threshold.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 69432.7 of the Education Code is
2 amended to read:
3 69432.7. As used in this chapter, the following terms have the
4 following meanings:
5 (a) An "academic year" is July 1 to June 30, inclusive. The
6 starting date of a session shall determine the academic year in
7 which it is included.
8 (b) "Access costs" means living expenses and expenses for
9 transportation, supplies, and books.
10 (c) "Award year" means one academic year, or the equivalent,
11 of attendance at a qualifying institution.
12 (d) "College grade point average" and "community college
13 grade point average" mean a grade point average calculated on the
14 basis of all college work completed, except for nontransferable
15 units and courses not counted in the computation for admission to
16 a California public institution of higher education that grants a
17 baccalaureate degree.
18 (e) "Commission" means the Student Aid Commission.
19 (f) "Enrollment status" means part- or full-time status.
20 (1) "Part time," for purposes of Cal Grant eligibility, means 6
21 to 11 semester units, inclusive, or the equivalent.
22 (2) "Full time," for purposes of Cal Grant eligibility, means 12
23 or more semester units or the equivalent.
24 (g) "Expected family contribution," with respect to an applicant,
25 shall be determined using the federal methodology pursuant to
26 subdivision (a) of Section 69506 (as established by Title IV of the
27 federal Higher Education Act of 1965, as amended (20 U.S.C. Sec.
28 1070 et seq.)) and applicable rules and regulations adopted by the
29 commission.
30 (h) "High school grade point average" means a grade point
31 average calculated on a 4.0 scale, using all academic coursework,
32 for the sophomore year, the summer following the sophomore

year, the junior year, and the summer following the junior year, excluding physical education, reserve officer training corps (ROTC), and remedial courses, and computed pursuant to regulations of the commission. However, for high school graduates who apply after their senior year, “high school grade point average” includes senior year coursework.

(i) “Instructional program of not less than one academic year” means a program of study that results in the award of an associate or baccalaureate degree or certificate requiring at least 24 semester units or the equivalent, or that results in eligibility for transfer from a community college to a baccalaureate degree program.

(j) “Instructional program of not less than two academic years” means a program of study that results in the award of an associate or baccalaureate degree requiring at least 48 semester units or the equivalent, or that results in eligibility for transfer from a community college to a baccalaureate degree program.

(k) “Maximum household income and asset levels” means the applicable household income and household asset levels for participants, including new applicants and renewing recipients, in the Cal Grant Program, as defined and adopted in regulations by the commission for the 2001–02 academic year, which shall be set pursuant to the following income and asset ceiling amounts:

CAL GRANT PROGRAM INCOME CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent and Independent students with dependents*		
Family Size		
Six or more	\$74,100	\$40,700
Five	\$68,700	\$37,700
Four	\$64,100	\$33,700
Three	\$59,000	\$30,300
Two	\$57,600	\$26,900
Independent		
Single, no dependents	\$23,500	\$23,500
Married	\$26,900	\$26,900

*Applies to independent students with dependents other than a spouse.

CAL GRANT PROGRAM ASSET CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent**	\$49,600	\$49,600
Independent	\$23,600	\$23,600

**Applies to independent students with dependents other than a spouse.

The commission shall annually adjust the maximum household income and asset levels based on the percentage change in the cost of living within the meaning of paragraph (1) of subdivision (e) of Section 8 of Article XIII B of the California Constitution. The maximum household income and asset levels applicable to a renewing recipient shall be the greater of the adjusted maximum household income and asset levels or the maximum household income and asset levels at the time of the renewing recipient's initial Cal Grant award. For a recipient who was initially awarded a Cal Grant for an academic year before the 2011–12 academic year, the maximum household income and asset levels shall be the greater of the adjusted maximum household income and asset levels or the 2010–11 academic year maximum household income and asset levels. An applicant or renewal recipient who qualifies to be considered under the simplified needs test established by federal law for student assistance shall be presumed to meet the asset level test under this section. Prior to disbursing any Cal Grant funds, a qualifying institution shall be obligated, under the terms of its institutional participation agreement with the commission, to resolve any conflicts that may exist in the data the institution possesses relating to that individual.

(l) (1) "Qualifying institution" means an institution that complies with paragraphs (2) and (3) and is any of the following:

(A) A California private or independent postsecondary educational institution that participates in the Pell Grant Program

1 and in at least two of the following federal campus-based student
2 aid programs:

3 (i) Federal Work-Study.

4 (ii) Perkins Loan Program.

5 (iii) Supplemental Educational Opportunity Grant Program.

6 (B) A nonprofit institution headquartered and operating in
7 California that certifies to the commission that 10 percent of the
8 institution's operating budget, as demonstrated in an audited
9 financial statement, is expended for purposes of institutionally
10 funded student financial aid in the form of grants, that demonstrates
11 to the commission that it has the administrative capacity to
12 administer the funds, that is accredited by the Western Association
13 of Schools and Colleges, and that meets any other state-required
14 criteria adopted by regulation by the commission in consultation
15 with the Department of Finance. A regionally accredited institution
16 that was deemed qualified by the commission to participate in the
17 Cal Grant Program for the 2000–01 academic year shall retain its
18 eligibility as long as it maintains its existing accreditation status.

19 (C) A California public postsecondary educational institution.

20 (2) (A) The institution shall provide information on where to
21 access California license examination passage rates for the most
22 recent available year from graduates of its undergraduate programs
23 leading to employment for which passage of a California licensing
24 examination is required, if that data is electronically available
25 through the Internet Web site of a California licensing or regulatory
26 agency. For purposes of this paragraph, "provide" may exclusively
27 include placement of an Internet Web site address labeled as an
28 access point for the data on the passage rates of recent program
29 graduates on the Internet Web site where enrollment information
30 is also located, on an Internet Web site that provides centralized
31 admissions information for postsecondary educational systems
32 with multiple campuses, or on applications for enrollment or other
33 program information distributed to prospective students.

34 (B) The institution shall be responsible for certifying to the
35 commission compliance with the requirements of subparagraph
36 (A).

37 ~~(3) (A) The commission shall certify by October 1 of each year~~
38 ~~the institution's latest three-year cohort default rate as most recently~~
39 ~~reported by the United States Department of Education.~~

1 ~~(B) For purposes of the 2011–12 academic year, an otherwise~~
2 ~~qualifying institution with a 2008 trial three-year cohort default~~
3 ~~rate reported by the United States Department of Education as of~~
4 ~~February 28, 2011, that is equal to or greater than 24.6 percent~~
5 ~~shall be ineligible for initial and renewal Cal Grant awards at the~~
6 ~~institution, except as provided in subparagraph (F).~~

7 ~~(C) For purposes of the 2012–13 academic year, and every~~
8 ~~academic year thereafter, an otherwise qualifying institution with~~
9 ~~a three-year cohort default rate that is equal to or greater than 30~~
10 ~~percent, as certified by the commission on October 1, 2011, and~~
11 ~~every year thereafter, shall be ineligible for initial and renewal Cal~~
12 ~~Grant awards at the institution, except as provided in subparagraph~~
13 ~~(F).~~

14 (3) (A) *The institution shall calculate and certify to the*
15 *commission by October 1 of each year its student default risk index*
16 *score.*

17 (B) *The student default risk index score shall be calculated by*
18 *dividing the number of undergraduate federal student loan*
19 *borrowers at the institution by the number of undergraduates*
20 *enrolled at the institution, multiplying the resulting number by the*
21 *institution's official cohort default rate as reported by the United*
22 *States Department of Education as a percentage, and multiplying*
23 *the resulting product by 100. For purposes of calculating and*
24 *certifying the student default risk index score, the institution shall*
25 *use the number of federal student loan borrowers and the number*
26 *of undergraduates enrolled, as reported to the United States*
27 *Department of Education for the academic year two years prior*
28 *to the academic year in which the institution is calculating and*
29 *certifying the index, and the official cohort default rate reported*
30 *by the United States Department of Education in its annual release*
31 *of cohort default rates in the same year as the certification.*

32 (C) *Notwithstanding subparagraph (A), for purposes of the*
33 *2013–14 academic year, the commission, by July 15, 2013, shall*
34 *determine the student default risk index score for each qualifying*
35 *institution using the trial three-year cohort default rate, federal*
36 *student loan borrower data, and student enrollment data provided*
37 *by the United States Department of Education in 2009.*

38 (D) *For purposes of calculating the student loan default risk*
39 *index score required by October 1, 2013, and each October 1*

1 *thereafter, institutions shall use the official three-year cohort*
2 *default rate to calculate the student default risk index score.*

3 *(E) An otherwise qualifying institution that does not meet the*
4 *following student default risk index thresholds shall be ineligible*
5 *for new Cal Grant awards at the institution:*

6 *(i) For academic year 2013–14, the student default risk index*
7 *score, certified by July 15, 2013, and based on the trial three-year*
8 *cohort default rate, shall not exceed 15, except as provided for in*
9 *subparagraph (G).*

10 *(ii) For academic year 2014–15 and each academic year*
11 *thereafter, the student default risk index score certified by October*
12 *1, 2013, and each October 1 thereafter, based on the official*
13 *three-year cohort default rate, shall not exceed 15, except as*
14 *provided for in subparagraph (G).*

15 ~~(D)~~

16 *(F) (i) An otherwise qualifying institution that becomes*
17 *ineligible under this paragraph for initial and renewal new Cal*
18 *Grant awards may regain its eligibility for the academic year*
19 *following an academic year in which it satisfies the requirements*
20 *established in subparagraph (B) or (C), as applicable certifies to*
21 *the commission that it meets the thresholds established in*
22 *subparagraph (E).*

23 *(ii) If the United States Department of Education corrects or*
24 *revises an institution's three-year cohort default rate that originally*
25 *failed to satisfy the requirements established in subparagraph (B)*
26 *or (C) (E), as applicable, and the correction or revision results in*
27 *the institution's three-year cohort default rate satisfying those*
28 *requirements, that institution shall immediately regain its eligibility*
29 *for the academic year to which the corrected or revised three-year*
30 *cohort default rate would have been applied.*

31 ~~(E)~~

32 *(G) An otherwise qualifying institution for which no three-year*
33 *cohort default rate has been reported by the United States*
34 *Department of Education shall be provisionally eligible to*
35 *participate in the Cal Grant Program until a three-year cohort*
36 *default rate has been reported for the institution by the United*
37 *States Department of Education.*

38 ~~(F)~~

39 *(H) An institution that is ineligible for initial and renewal Cal*
40 *Grant awards at the institution under subparagraph (B) or (C) (E)*

1 shall be eligible for renewal Cal Grant awards for recipients who
2 were enrolled in the ineligible institution during the academic year
3 before the academic year for which the institution is ineligible and
4 who choose to renew their Cal Grant awards to attend the ineligible
5 institution. Cal Grant awards subject to this subparagraph shall be
6 reduced as follows:

7 (i) The maximum Cal Grant A and B awards specified in the
8 annual Budget Act shall be reduced by 20 percent.

9 (ii) The reductions specified in this subparagraph shall not
10 impact access costs as specified in subdivision (b) of Section
11 69435.

12 ~~(G)~~

13 (I) Notwithstanding any other law, the requirements of this
14 paragraph shall not apply to institutions with 40 percent or less of
15 undergraduate students borrowing federal student loans, using
16 information reported to the United States Department of Education
17 for the academic year two years prior to the year in which the
18 commission is certifying the three-year cohort default rate pursuant
19 to subparagraph (A).

20 ~~(H)~~

21 (J) By January 1, 2013, the Legislative Analyst's Office
22 shall submit to the Legislature a report on the implementation of
23 this paragraph. The report shall be prepared in consultation with
24 the commission, and shall include policy recommendations for
25 appropriate measures of default risk and other direct or indirect
26 measures of quality or effectiveness in educational institutions
27 participating in the Cal Grant Program, and appropriate scores for
28 those measures. It is the intent of the Legislature that appropriate
29 policy and fiscal committees review the requirements of this
30 paragraph and consider changes thereto.

31 (m) "Satisfactory academic progress" means those criteria
32 required by applicable federal standards published in Title 34 of
33 the Code of Federal Regulations. The commission may adopt
34 regulations defining "satisfactory academic progress" in a manner
35 that is consistent with those federal standards.